
Notice of Market Dominant
Price Adjustment

Docket No. R2021-2

**COMMENTS OF THE
NATIONAL ASSOCIATION OF PRESORT MAILERS
(June 28, 2021)**

The National Association of Presort Mailers (NAPM) respectfully submits these comments on the United States Postal Service's Notice of Market-Dominant Price Change, R2021-2, dated May 28, 2021.

The NAPM is comprised of mail service providers, mail supply chain vendors and mail owners. Our mail service provider members act as the “facilitators” that enable businesses to use the USPS’ products and services easier, quicker, and cheaper. Our members work within the mail owner company’s departments (accounting/billing, marketing, customer relations, and more) to inform them about USPS’ products/services and educate them on how they can accomplish their business objectives through using the mail. Our members provide “total solution capabilities, from printing, packaging, addressing, integrating omni-channel solutions, tracking, and more to enable the mail user to attain the greatest value mail offers them for their communications, business transacting, integrated marketing, and eCommerce business needs. Our members produce the most cost effective, efficient, and profitable mail for the USPS by commingling mail from multiple business customers into a streamlined IMb Full-Service or Seamless mailing that helps reduce the USPS’ costs, provides them with extensive mail data to support a host of USPS programs and services, and more.

Our members interact with tens of thousands of various commercial mail consumers. Collectively, NAPM represents over 45 percent of the total First-Class Mail Presort Letters volume, a growing and significant percentage of Marketing Mail volume, and volumes in all USPS mail classes as well as Competitive Services categories. Our members are valued partners of the Postal Service, delivering high quality operationally efficient mail to its processing and delivery facilities at affordable prices to mail users designed to achieve their planned delivery needs. As the Postal Services’ closest business partners, NAPM members serve as an extension of its’ Sales Organization in selling their products and services, provide collateral and value add services to its’ mailing customers, and work collaboratively with its Operations and Technology functions in developing innovative solutions integrating upstream mail supply chain services from manufacturing, production to transport and entry, with its’ strategic initiatives designed to achieve efficiencies necessary to keep mail a valued and

affordable communications medium to its customers for years to come. Like the Postal Services, our members mail manufacturing and processing operations are closely aligned to theirs, we make our livelihoods selling, manufacturing, producing and presenting its mail products for their customer to their delivery network, and our financial sustainability is interdependent on the stability of its own.

Similar to the Postal Service, NAPM members have experienced many challenges over the past year during the pandemic, many of which still exist and have been exacerbated by economic conditions. Our members are currently reporting significant issues with employee availability/hiring, as well as increased costs for services and materials necessary to operate their business. Over 65% of NAPM's members are smaller or mid-sized businesses who are finding it increasingly difficult to operate with these economic challenges. Any loss of customer volume as a result of higher postage prices will only add to the economic pressures they are facing. Yet, even facing these challenges, we are dedicated to working collaboratively with the Postal Service to ensure its sustainability and help build solutions. We believe that there are elements in the USPS' 10-year strategic plan where we can work together to achieve the objectives the USPS has laid out, and we look forward to having continued dialogue with the Postal Service in that regard.

Our below comments are offered as a collaborative business partner with the USPS, as well as taking into account the challenges many of our members are facing.

I. Maximizing Pricing and Operational Efficiency

NAPM commends the Postal Service for proposing workshare discounts that better represent Efficient Component Pricing (ECP), as laid out in the PRC's 10-year rate system review final rules. This price change proceeding represents the first proposed by the USPS under the new rules, and, as such, likely will be evaluated accordingly. While we recognize that the new rules may create some complexities, we hope that the Postal Service and the PRC will do what they can to ensure that rates and rate relationships make sense in order to drive the desired mailer behaviors.

II. First-Class Mail Rate Design

NAPM supports the USPS' proposed creation of a new structure and pricing tiers for First-Class Mail NonAutomation and Nonmachinable Letters. NAPM would like to raise a point of awareness regarding the USPS' proposed prices for First-Class Mail Automation AADC Letters and First-Class Mail NonAutomation AADC Letters – which are proposed to be the same price (\$0.461). It is our opinion that having automation and nonautomation prices be the same within the FCM AADC Presort category serves as a “disincentive” for customers to provide the Postal Service with pre-barcode mail. We can only assume this is an oversight

on the Postal Service's part, which is why we are pointing it out, and asking that it be addressed in this price change. However, if this is intentional on the USPS' part in terms of some strategic initiative or price signal, we would like the Postal Service to elaborate on that.

We support adjusting the proposed prices to reflect the value of barcoded mail to the USPS and to send the right signals to incent mailers to barcode those pieces. Having the Automation and NonAutomation price be the same could cause erosion of mail from the automation presort category into non-barcoded mail categories, which decreases tray densities, is not as efficient for the USPS, can negatively impact service performance, and more. In addition, in today's mail preparation environment, barcoded mail is presented as IMb Full-Service or Seamless Acceptance mail, which represents many savings for the Postal Service beyond the barcode in terms of the mailing data, address quality, streamlined acceptance and more.

We urge the USPS and the PRC to explore remedying this issue in this proceeding rather than putting it off until the next price change because smaller mail service providers already being economically challenged from the pandemic, as described earlier, could lose customers as a result of this anomaly which takes away the incentive for them to barcode mail, and will result in the USPS also losing that barcoded volume and the benefits it provides.

III. Marketing Mail Rate Design

NAPM supports the improved workshare discount rate relationships for DSCF drop ship entry of Marketing Mail, which has been an important issue for the past few years as those discounts were decreased. The majority of Marketing Mail volume is entered via drop ship by mailers, not only to achieve workshare discounts but to achieve more reliable and predictable service performance for their business customers.

V. Pricing Incentives

NAPM commends the Postal Service for maintaining – and in some cases increasing – its pricing incentives, which encourage mailers to engage in behaviors that make mail more efficient, less costly, and more profitable for the USPS or that improve the value of mail and increase response rates.

Seamless Acceptance Incentive. NAPM encourages the USPS to consider increasing the price incentive for Seamless Acceptance in the next price change, when there will be a year's worth of data available for its analysis, in recognition of the ongoing and increasing costs mailers incur to build out technology, maintain systems, and employee skilled labor to support programs like Seamless Acceptance that improve the overall efficiency of the USPS' system.

Seamless Acceptance provides the USPS with enhanced visibility of mail, moves much of its manual mail verification process into an automated process, and improves the USPS' operational efficiency. NAPM supports the Seamless price incentive, which is designed to help defray the costs incurred by mailers in order to meet the Seamless Acceptance requirements, but the current incentive needs to be increased in order to fully defray the existing costs as well as costs that will increase over time.

IMb Full-Service Incentive. NAPM again commends the Postal Service's decision to maintain the existing Full-Service price incentives for production of streamlined intelligent mail. The IMb Full-Service price incentive continues to partially offset the ongoing and increasing costs for mailers to prepare high value, data-rich, streamlined mail for the USPS. At a time when many mailers are facing increased economic pressures brought on by the pandemic, it is critical to preserve the necessary price incentives to partly defray their ongoing costs and investment to meeting the IMb Full-Service requirements.

The "data rich" streamlined mailings provided to the USPS through programs such as IMb Full-Service and Seamless Acceptance continue to be the foundation for a long and growing list of USPS initiatives designed to add value to mail, retain mail volume, reduce USPS' costs, and increase USPS efficiency. From Informed Delivery marketing campaigns, to Service Performance Measurement and diagnostic tools to improve service, to election mail tracking, Informed Visibility, Surface Visibility, and Mailer Scorecard data to drive mail quality improvements, and much more – all rely on the data only mailers can provide with their Streamlined Mail production and processing capabilities. These data-rich capabilities provide benefits to all users of the mail and to the USPS, but they do not come without costs. The ongoing costs of supporting the necessary personnel, processes, software/hardware, etc...to produce IMb Full-Service mail are partially offset by the Full-Service price incentive, so NAPM commends the USPS' decision to keep the IMb Full-Service incentive in place

Streamlined Mail Incentives. To be clear on the above Seamless Acceptance and IMb Full-Service price incentive discussions, it is imperative to understand the difference between these two streamlined mail incentives and the behaviors each separately incents. Often the concept of IMb Full-Service and Seamless are linked together, but in reality these are two distinct initiatives with separate processes and different cost activities for mailers and Mail Service Providers, and each provides distinct benefits to the Postal Service.

IMb Full-Service focuses on incenting mailers to barcode their mail; submit electronic mailing data; ensure piece, handling unit, and container barcode uniqueness; use valid MIDs and STIDs; identify the mail owner and preparer through By/For data; and ensure correct Entry Facility data is contained in the eDoc for drop shipped mail.

Seamless Acceptance focuses on incenting eDoc submitters (typically Mail Service Providers) on complying with eInduction requirements (for drop shipped mail); ensuring accurate Delivery Points in the barcode; ensuring accurate Nesting/Sortation in the presort; ensuring that postage has been paid on every piece (or providing additional data on “undocumented” mailpieces to show postage has been paid); and ensuring the piece qualifies for the postage rate claimed based on its mail characteristics.

Each of these two initiatives comes with its own set of activities that mailers must perform and processes they must have in place – including software, hardware, quality control measures and more – in order to support the initiative. The Postal Service has recognized that differences between these two initiatives by creating and maintaining two different price incentives. NAPM strongly supports keeping these price incentives separate and distinct and maintaining both in order to help defray the separate costs incurred by mailers.

Promotion Incentives. NAPM supports the Postal Service’s proposed promotions for 2022 and would hope that the Commission accepts them. Many clients of our members use promotions and we believe that they are at least retaining volume in the mail. Economic conditions are likely to see little improvement by the USPS’ FY 2022, and as mailers face increased expenses to operate, having access to postage discounts through USPS promotions helps mitigate the impact of other increases and will help keep mail in the mail. NAPM believes promotions are supported by Objectives 1, 4, and 5 as well as Factors 4, 7, and 13. NAPM would also like the Commission to encourage USPS to develop additional promotions and to continue to work to simplify some of the promotion requirements.

VI. Pricing Implementations

NAPM urges the Postal Service to communicate its plans to industry in terms of when the next price increase will occur so that mailers and service providers can plan accordingly, and we oppose a continued pattern of 2 price changes in the same year. Having the uncertainty of whether the USPS will continue to raise prices twice in the same calendar year, or whether it will move to a new annual price change in summer vs. January, causes huge disruption in the mailing industry and supply chain. Customers do not know what to budget for, and the industry not only faces increased price impacts with two changes in the same year but also a significant expense to update software, systems, and make other changes necessary to support each USPS price change. The Postal Service also incurs expense to update prices in its systems and software. This applies not only to Market Dominant price changes but also to Competitive Price Changes. NAPM supports the USPS in the future moving back to a cycle where both sets of prices would be implemented at the same time, which represents cost

savings both for industry, suppliers, and the Postal Service as well as providing more predictability for users of mail and parcels (which often are the same entity or supported by the same software industry).

An annual predictable price change is needed to ensure stability in the mailing and shipping industry, and is supported by the Postal Accountability & Enhancement Act (PAEA), Objective 2, “to create predictability and stability in rates,” and Objective 8, “[t]o establish and maintain a just and reasonable schedule for rates and classifications...”

VII. Conclusion

In closing, NAPM urges the Postal Service and the PRC to consider the fragile economic conditions facing the mailing industry from the pandemic, which are likely to continue for some time. We commend the USPS for moving in a better direction on workshare discounts and rate relationships, but urge the USPS and PRC to closely examine the issues we have laid out with proposed First-Class Mail prices that will not incent the desired mailer behavior in terms of efficiency and cost reduction.

We urge the Postal Service to move back to annual price increases that are as predictable as possible, and avoid price changes twice in the same calendar year which are costly to both the USPS and the industry as well as creating uncertainty with business mailers trying to budget and plan their mailings.

NAPM members continue to desire to work with the USPS collaboratively on innovative and new approaches to our mutual challenges. Our success is inextricably linked as we all depend on retaining and growing mail volumes.

The NAPM appreciates the Commission's consideration of these comments.

Respectfully submitted,



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